

FINANCE AND BUDGET TASK FORCE INTERIM REPORT

APRIL 5, 2010

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Three Subcommittees

- Financial Policies
- Budget Process
- Budget Book

- This is an interim report
- The subcommittees are presenting their findings and conclusions as of today
- The final report may see some changes
- Subgroups have been working independently

Financial Policies

Leonard Briskman, Paul Clark,
Jim Coyle, Beryl L. Feinberg
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Work Plan

- ❑ Thorough review of the Financial Management Policies adopted May 18, 2009 to identify areas for further review, clarification, potential change and policy gaps.
- ❑ Review of materials available on City website
- ❑ Interview selected stakeholders in City government (City Manager, Finance Officer, Budget Director, City Clerk)

Work Plan (continued)

- ❑ Interview Mayor and City Council members to solicit their viewpoints as to how to improve fiscal and budget policies.
- ❑ Consult Government Finance Officers Association (GFOA) materials on fund balance and net assets.
- ❑ Review expenditure and revenue data available in the budget book, on the web-site and other data used by city staff for budget development and current year budget administration.

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Areas for review follow the organization of the current Financial Management Policies for presentation simplicity

- ❑ Consider periodic updates on capital and operating budget to Mayor and Council at public meetings.
- ❑ Look at process for supplemental appropriations in CIP and operating budgets
- ❑ Review history of CIP project cost estimates versus actual costs to look at over/under estimating
- ❑ Consider appropriating only design costs and wait until final design with schematics before appropriating construction costs so that decision-makers have more realistic total project costs and operating budget impacts in case the project scope needs to be modified.
- ❑ Look at user fees and cost recovery in terms of categorizations of user fees and how determined, definition of direct and indirect costs, reporting on actual cost recovery versus policy levels promulgated.
- ❑ Decision-making process of how services are continued/expanded/reduced.

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Areas for review follow the organization of the current
Financial Management Policies for presentation simplicity

- ❑ Understand revenue and expenditure forecasting for out-year budget projections in terms of CIP operating budget impacts and other major known commitments in the operating budget.
- ❑ Understand the law, practice, policies, criteria surrounding the use and approval process to tap into the General Fund Contingency Account. Investigate whether any changes need to be considered.
- ❑ Understand how debt limits are monitored and staff reports to Mayor and Council when elected officials are asked to approve additional debt.
- ❑ Consider productivity section and how it relates to program outcomes and performance measurement in budget proposals.

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Areas for review follow the organization of the current
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- ❑ Understand practices to manage city finances during unanticipated economic downturns.
- ❑ Review practices for budgeting contributions and funding employee retirement fund and retiree health benefit fund.

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Budget Process

Paul Newman and Jeff Weber

Initial Hypotheses/Mission

- ❑ Increase communication about budget development effort.
- ❑ Strive for more public involvement, especially earlier in the process.
- ❑ Simplify the budget process.

Preliminary Findings

- Existing process is good; can be tweaked.
- Process is fluid – staff do adjust per direction.
- Process is transparent, though may be perception of insufficient input from citizens.
- Biennial visioning drives program priorities, but may not represent full range of City services.
- It is difficult for citizens not immersed in the process to get up to speed.

Issues to Investigate

- Relationship between visioning process & budget priorities?
- How to encourage more meaningful dialog on budget priorities? Consider whether department level discussions could/should be brought forward into the process?
- Prior to finalizing a draft budget, what level of detail should the City Manager present regarding options for adjusting spending on City services, increasing the CIP, or buying down the debt?

Issues to Investigate (cont'd)

- How can the public get more involved?
- Can we provide enhanced communications for the lay person to understand the budget process? (e.g., provide enhanced executive summary on City website)
- Would increased use of environmental scans assist in budget development & planning? (e.g., Gaithersburg West & White Flint plans, economic situation, State and County support, etc.)?

Broader Scope Ideas to Consider

- Several items in discussion to improve the budget process would require a revision to the City's charter:
 - Consideration of a two year budget cycle
 - Four year terms for Mayor and Council

Budget Book

Marika Brown, Richard Gottfried,
Rebecca Kanin, and Jonathan Smith

General Approach

1. Review of the City's budget book.
2. Review of the City's website budget section.
3. Interview City Manager, Finance Director, Budget Director, IT Director.
4. Interview Mayor and Council to solicit their viewpoints as to how to improve the budget book.
5. Research and review other jurisdictions' budget presentations.

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Issues Identified In The Budget Book

1. **Creation:** The budget book is prepared in a Word document with manual input of the data into the budget book instead of uploading Excel spreadsheets of data tables and charts.

2. **Presentation:** Each department creates tables for its divisions and expenses. The formatting is not consistent among the departments. Different types of charts are utilized in the budget book

3. **Content:** Although the budget book is very detailed (giving a summary recap page then drilling down by department and by division), inconsistent organization both across departments and from project to project limits its usefulness for the average citizen.

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Approach To Resolution

Creation: The budget book is prepared in a Word document with manual input of the data into the budget book instead of uploading Excel spreadsheets or charts of data tables.

- Preparing the budget book manually using Microsoft Word is a time -consuming process.
- Utilizing Microsoft Excel may improve the efficiency of staff members in preparing the budget book.
- Utilizing Microsoft Excel may facilitate creation of "what if" scenarios asked by the Mayor and Council and Staff as the budget is revised.
- Currently the City's budget department has no budget software program.
- An appropriate budget software package may help facilitate preparation of the budget book.

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Approach To Resolution

Presentation: Each department creates tables for its divisions and expenses. The formatting is not consistent among the departments. Different types of charts are utilized in the budget book.

- Research and review budget presentations in other jurisdictions.
- Recommend a uniform standard of presentation/layout by department.
- Provide a sample section of the budget book as a guide to the Finance and Budget Director, utilizing this uniform standard.

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Approach To Resolution

Content: Although the budget book is very detailed (giving a summary recap page then drilling down by department and by division), inconsistent organization both across departments and from project to project limits its usefulness for the average citizen.

- Simplify the budget book utilizing technology.
- Utilize a uniform, standard approach as suggested under "Presentation".
- Utilize the City's website and current technology to create a "open source data approach" to drill down to the details of the budget from the summary tables created in the hard copy of the budget book.

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